

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

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PUBLIC SERVICE COMMISSION

In the Matter of

THE APPLICATION OF GREEN RIVER VALLEY WATER DISTRICT, HART, BARREN, LARUE, GREEN AND METCALFE COUNTIES, KENTUCKY, (1) FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY AUTHORIZING CONSTRUCTION OF MAJOR ADDITIONS AND IMPROVEMENTS TO ITS WATER DISTRIBUTION SYSTEM, (2) SEEKING APPROVAL OF REVISED WATER SERVICE RATES AND CHARGES AND (3) SEEKING APPROVAL OF THE ISSUANCE OF CERTAIN SECURITIES.

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) CASE NO.  
) 2004-00285  
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The Applicant, Green River Valley Water District, situated in Hart, Barren, Larue, Green and Metcalfe Counties, Kentucky (the "District"), acting by and through its Commission, respectfully tenders this Application and requests that the Public Service Commission of Kentucky enter its Order pursuant to KRS 278.023 and 897 KAR 5:069 granting a Certificate of Public Convenience and Necessity authorizing the District to construct major additions and improvements to its water system (the "System") for the purpose of furnishing an adequate supply of pure and potable water for domestic, agricultural and commercial use in the District, approving the adjustment of water rates and charges to be levied and collected by the District and approving the issuance of certain securities by the District. In support of this Application and in conformity with the rules of the Public Service Commission, the District states as follows:

1. The District was established by an Order entered by the County Court of Hart County, Kentucky, on November 16, 1959, upon petition of the requisite number of freeholders of the area involved and after notice and public hearing in the manner set forth in KRS 74.010. In April, 1960, substantial additional territories in Barren County were annexed to the District by Order of the County Court of Barren County, Kentucky. The District's geographic area was described in

1961 proceedings before the Public Service Commission in Case No. 4015. Additional areas in Hart and Barren Counties as well as a small portion of Larue County were annexed in 1978 in connection with the 1978 expansion project of the District and copies of the annexation Orders of the County Judge/Executive of each of those Counties were filed with the Public Service Commission as a part of the record in Case No. 7061. The District annexed portions of southwestern Green County and northern Metcalfe County as well as portions of Barren and Hart Counties in 1983, and copies of the appropriate annexation Orders were filed with the Public Service Commission as a part of the record in Case No. 8955. In 1985 and 1986, Orders were entered by the Hart County Judge/Executive correcting certain boundaries of the District in Hart County, and copies of those Orders were filed with the Public Service Commission in Case No. 9372. In 1989 Orders were entered by the County Judge/Executives of Hart, Barren, Larue and Green Counties annexing additional areas of those counties, and copies of those Orders were filed with the Public Service Commission in Case No. 92-340.

The District is now, and has been since its inception, regulated by the Public Service Commission of Kentucky, and all records and proceedings of the Public Service Commission with reference to the District are incorporated in this Application by reference.

2. The governing body of the District is its Commission, and in conformity with KRS 74.020(1) the County Judge/Executives of Hart and Barren Counties have entered appropriate Orders appointing the present Commissioners who are residents of the District, such present Commissioners, and their respective offices, being as follows: Daniel T. Curd, III, Chairman, Donald McDonald, Secretary and Treasurer, Jack London, Daniel Ray Branstetter and Bill Conyers. Each of the five Commissioners has qualified for office. The address of the District is Green River

Valley Water District, 85 E. Les Turner Road, P.O. Box 399, Cave City, Kentucky 42127, Attention: David Paige, Manager.

3. In order to finance water service facilities and improvements, the District has previously issued, and there are currently outstanding, the following revenue bonds and obligations payable from the income and revenues of the System:

- (a) Waterworks Refunding and Improvement Revenue Bonds, Series A and B, dated April 1, 1974;
- (b) Waterworks Revenue Bonds, Series of 1984;
- (c) Waterworks Revenue Bonds, 1988 Series A and B;
- (d) Waterworks Revenue Bonds, Series of 1989;
- (e) Waterworks Revenue Bonds, Series of 1992;
- (f) Waterworks Revenue Bonds, 1996 Series A and B;
- (g) Waterworks Revenue Bonds, 1996 Series C;
- (h) Assistance Agreement with Kentucky Rural Water Finance Corporation (“KRWFC”) dated December 18, 2002; and
- (i) Assistance Agreement with KRWFC dated October 29, 2003.

The above-identified revenue bonds and obligations of the District were issued pursuant to approving orders of the Public Service Commission.

4. The District’s consulting engineers, Water Management Services, LLC, Nashville, Tennessee (the “Engineers”), have prepared a Preliminary Engineering Report and a Final Engineering Report as well as detailed plans and specifications for the construction and installation of the new water service facilities and appurtenances (the “Project”) that will serve the District. The Preliminary Engineering Report (captioned “Summary Addendum to Preliminary Engineering Report”) dated June 10, 2004, and the Final Engineering Report dated July 8, 2002, are appended hereto as Exhibit A and Exhibit B, respectively. These Exhibits contain, among other things, descriptions of the Project, cost figures, proposed rate adjustments and other pertinent data.

It is the opinion of the Commissioners of the District that the public health, safety and general welfare of the citizens and inhabitants of the District will be promoted and served by the construction of the Project and the financing thereof as herein described.

5. The District has caused public advertising to be made according to law soliciting competitive bids for the construction and installation of the Project; has received, opened and considered the construction bids; and has filed with the United States Department of Agriculture, Rural Development (“USDA”), the data prepared by the Engineers showing the bids received and the recommendations of the Engineers with respect thereto. USDA has approved the District’s proposed award of the best bids as evidenced by the USDA letter of concurrence in the bid awards appended hereto as Exhibit C.

The District hereby states, through its undersigned Chairman, that the proposed plans and specifications for the Project have been designed to meet the minimum construction and operating requirements set out in 807 KAR 5:066, Section 4 (3-4), Section 5 (1), Sections 6 and 7, Section 8 (1-3), Section 9 (1) and Section 10; that all other state approvals or permits for the Project have been obtained; that the proposed water rates of the District will produce total revenue requirements as set out in Exhibit A and Exhibit B; and that construction of the Project is expected to begin on or about August 23, 2004, and to end on or about February 23, 2005.

6. The proposed adjusted water rates and charges of the District are set out in a Notice of Adjustment of Water Rates, which is appended hereto as Exhibit D and is being published in the legal newspapers in Hart, Barren, Larue, Green and Metcalfe Counties. Newspaper clippings evidencing such publications will be forwarded to the Public Service Commission as a supplement to Exhibit D.

7. The estimated costs of and sources of funds for the Project are set out in Exhibit B and in Exhibit F identified below.

8. As shown in Exhibit B and in Exhibit F, the District proposes to finance, in part, the construction and installation of the Project by the issuance of its bonds, to be styled “Waterworks Revenue Bonds, Series 2004” (the “Bonds”), in the principal amount of \$5,000,000. The Bonds are expected to mature as to principal in escalating annual amounts on April 1 in each of the years 2006 through 2043, with interest payable semiannually at a rate not to exceed 4.5% per annum, as described by the USDA letter and schedule dated January 8, 2003, appended hereto as Exhibit E.

The District has entered into a loan agreement with USDA pursuant to which USDA will make a loan of \$5,000,000 to the District, to be represented by the Bonds. The Bonds are expected to bear interest at a single, uniform rate not to exceed 4.5% per annum. Appended hereto as Exhibit F is a letter (and amendments thereto) from USDA setting forth terms, conditions and understandings relating to the loan.

With reference to the proposed issuance of the Bonds to USDA, the proceedings relating thereto will provide for the public advertisement of competitive bids for the Bonds according to Kentucky law; and in the event a bid or bids are received for the Bonds at an interest cost basis to the District more advantageous to the District than the loan commitment of USDA, the Bonds will be sold to such other bidder. However, it is not expected any more favorable bids will be received. The Bonds will not be delivered to USDA until such time as at least 80% of the amount of the Bonds has been spent on the Project. This procedure is in accord with USDA rules requiring interim financing of USDA projects to the amount of the USDA loan. Accordingly, construction of the Project will be instituted and funded initially from the proceeds of an interim financing loan to be obtained from the Kentucky Rural Water Finance Corporation (“KRWFC”) in an amount up to

\$5,000,000 at a rate not expected to exceed 5.6% per annum. The interim loan will be secured by (i) the undisbursed proceeds of the interim financing loan and (ii) the proceeds of the Bonds when delivered to USDA according to USDA practices and procedures. (Interim financing is also available to the District from USDA in the event other interim financing sources are not available or are unreasonable.)

As further shown in Exhibit B and in Exhibit F, the District proposes to finance the balance of the cost of the Project through a USDA grant in the amount of \$1,150,000 and a KRWFC loan in the amount of \$1,606,000, the latter of which is expected to be repayable from water revenues over a 20-year term with interest at rates not expected to exceed 5.65%. The KRWFC commitment letter dated June 24, 2004, and related attachments are appended hereto as Exhibit G.

9. The Commission of the District respectfully represents to the Public Service Commission that there is a genuine need and demand for the Project and that the Commission should enter herein its Order, in compliance with KRS 278.023 and KAR 5:069, (a) issuing its Certificate of Public Convenience and Necessity pursuant to KRS 278.020 authorizing construction and installation of the Project, (b) approving the proposed schedule of water service rates and charges and (c) authorizing pursuant to KRS 278.300 (i) the issuance of \$5,000,000 principal amount of Waterworks Revenue Bonds, Series 2004, by the District as described herein, (ii) the KRWFC interim loan in an amount up to \$5,000,000 as described herein and (iii) the long-term KRWFC loan to the District in the principal amount of \$1,606,000 as described herein.

WHEREFORE, the Applicant, Green River Valley Water District, respectfully requests that such Order be issued.

Respectfully submitted,

GREEN RIVER VALLEY WATER DISTRICT

By Daniel T. Curd III  
Daniel T. Curd, III  
Chairman of the Commission

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COMMONWEALTH OF KENTUCKY )  
)  
COUNTY OF HART )

I, Daniel T. Curd, III, being first duly sworn according to law, state that I am Chairman of the Commission of Green River Valley Water District, that I have read the foregoing Application and that the statements of fact set forth therein are true and accurate to the best of my knowledge and belief.

WITNESS my signature this 14 day of July, 2004.

Daniel T. Curd III  
Daniel T. Curd, III

Subscribed and sworn to before me this 14 day of July, 2004. My commission expires 5-01-08.

Rita Thompson  
Notary Public  
Commonwealth of Kentucky